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ABSTRACT

In order to assess the effects of changes in funding processes in Florida, this report describes and compares financing under: the Minimum Foundation Programs (MFP), which for 25 years served as the funding model for elementary, secondary, and community college education: the Community College Program Fund, a multi-level program cost formula, which since 1972 has been used in the appropriation and distribution of state revenues to Florida's community colleges: and the Florida Education Finance Act, which replaced the MFP in 1973 as the funding process for elementary and secondary schools. A comparative analysis of operating revenues for education at the elementary, secondary, and community college levels is presented for the years 1965-66, 1972-73, and 1978-79 to compare the relative fiscal support provided by these legislatively mandated budget formulas. Among the findings presented are the following: (1) dollars allocated per full-time equivalent student (FTE) increased by 265% for the community colleges, and by 566% for elementary and secondary schools: (2) student fees as a percentage of all revenues at community colleges increased from 22% to 27%: (3) federal funds as a percentage of all operating funds increased from 6% to 13% for elementary and secondary schools, but decreased from 4% to 1% for community colleges. Data tables are provided. (JP)

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FLORIDA'S COMMUNITY COLLEGE FUNDING PROCESS: AN HISTORICAL ANALYSIS 1965--1980

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SUMMARY OF FINDINGS

- Program dollars (MFP, CCPF, FEFA) per FTE have increased 265% for community colleges during the period 1965-1980, while increasing 566% for elementary and secondary schools during the same period.

- Student fees as a percentage of all revenues have increased from 22% (1965) to 27% (1980) in community colleges.

- Federal funds as a percentage of all operating funds revenue has increased from 6% (1965) to 13% (1980) for elementary and secondary schools, while for community colleges they have decreased from 4% (1965) to 1% (1980).

- Community college expenditures per FTE for the operating fund grew 160% during 1965-1979, while elementary and secondary expenditures increased 247% during the same period.

- Community college FTE's increased 224% during 1965-1980, while elementary and secondary FTE's increased 32%.

- Community colleges which have developed a quality Academic and Professional Program (A&P) will find that strong legislative emphasis continues to be placed in providing more funding to non-credit occupational programs.

- State appropriations to elementary and secondary school program funds have increased 681% during the period 1965-1981. Community college appropriations have increased 1053% during the same period.

- The funding formula for local contribution to elementary and secondary schools provides for additional tax dollars above the required local effort but within an established range. The net effect of this is to provide discretionary funds which can be used by the school board.

- Implicit in these findings is that as fixed costs continue to increase as a percentage of total costs, the available revenues for quality improvement and additional support services will decline.

INTRODUCTION

The 1972 Florida Legislature passed into law a funding process which would distribute state tax revenues to Florida's community colleges using a multi-level program cost formula.* This process was referred to as the Community College Program Fund (CCPF) and took effect with the 1973-74 budgets. With some modification, this process is currently utilized in the appropriation and distribution of state revenues to Florida's community colleges. Prior to adoption of the CCPF, community colleges, and similarly, the elementary and secondary school programs, were financed under similar but separate Minimum Foundation Programs (MFP).

The 1973 Florida Legislature enacted into law a funding process for the elementary and secondary schools. This process was referred to as the Florida Education Finance Act (FEFA). It replaced the MFP which had served as the funding model for twenty-five years. The FEFA became effective with the 1973-74 appropriation and with some modifications is currently utilized in the funding of public elementary and secondary programs in the state of Florida.

The following is a working outline of each funding process (CCPF and FEFA) and the relative differences which each program has brought to its respective system as compared to the earlier process (MFP).

*State and local costs are calculated for each program to determine statewide average costs.

Community College Program Fund

The CCPF requires the use of two formulas or processes. One process is used by the legislature to determine the amount of state revenues needed for the fund. These calculations are made using projected Full-Time Equivalent (FTE) students and a student-instructor ratio in each of four program areas: Academic and Professional, Occupational, Developmental, and C.I.S. The number of instructors needed is then multiplied by projected average salaries to yield total instructional salary requirements. The number of non-instructional positions is also based on ratios of students to positions. Supplies and equipment costs are based on projected costs per student. The calculation of needed state funds equals the sum of instructional and support costs. Another way of looking at the process is to determine direct costs, (instructional salaries, salaries related to instruction and supplies and services for instructional areas), and indirect costs, (non-instructional salaries, libraries and student services and general college administration), within the four programs. The two types of costs are combined to establish the full cost of instruction per FTE by discipline and by program.

A second formula is used by community colleges in making budget requests for appropriations and in distributing among the community colleges the state appropriations to the CCPF. This formula is based upon an annual cost analysis which provides cost data at the course and discipline level within the four program areas. This cost analysis also distinguishes between small (less than 1300 FTE) and larger (greater than 1300 FTE) institutions. A cost level is established for each discipline

and program by adjusting the statewide average cost per FTE for inflation, cost changes, and expected income from student fees, federal funds, and local sources.

The 1979-81 biennial appropriations process contained several modifications to the CCPF. These modifications were intended to identify further cost differences among programs within disciplines, particularly in the occupational programs, and to distribute state funds more equitably with consideration given to a college's other sources of revenue. These modifications included:

Student Fees--The student fee deduction (which effectively reduces the total program cost to be funded by the state) was modified from $324/FTE for all courses to $360/FTE for credit courses and $120/FTE for vocational non-credit courses. The effect is to equalize student fees for credit and non-credit courses and increase state funds to those colleges with strong emphasis on non-credit occupational preparatory programs.

Costing Additional Levels of Occupational Programs--The process of averaging costs for expensive occupational programs (e.g., health related) with less expensive programs (e.g., distributive) resulted in a distortion of the average cost which in turn resulted in less dollars to those colleges offering primarily expensive technical programs. The costing levels were modified to reflect a truer picture of the averages. The modification provided that each of the seven disciplines contain three categories--technical, skilled/semi-skilled, supplementary--with an appropriate cost level for each.

Original Formula		Modified Formula	
Example Discipline	Cost Level	Example Discipline	Cost Level
Office	1.0	Office	
		Technical	1.10
		Skilled/Semi-Skilled	.90
		Supplementary	.70
Health	1.5	Health	
		Technical	1.66
		Skilled/Semi-Skilled	1.15
		Supplemental	.85

Federal Funds--The cost data which historically reflected federal funds was modified to show costs without federal funds. The effect of this modification was to lower cost levels in those disciplines where programs received relatively large federal supplements and to raise cost levels where relatively little or no federal funds were supplied. The rationale for this modification centered on the assumption that the ability to attract federal funds was a function of institutional size. The larger the institution, the greater the federal dollars.

Observations

While the legislature seeks to distribute more equitably state resources to meet the educational needs of community college students, the impact of the modifications shown on the previous page on the larger community colleges which have historically committed resources to improve programs outside the occupational area, to upgrade their capabilities to solicit federal funds as well as other areas, may place them at a disadvantage in the budgetary process. While the decisions to implement these earlier programs resulted in additional variable costs to the institution, they may have over a period of years become an additional component of the institution's fixed costs, and consequently, are not subject to change, or if they are, only at a sacrifice to personnel and programs.

Minimum Foundation Program

Prior to 1957 Florida's community colleges received basic support for current operation under the same MFP that supported the elementary and secondary schools. In 1957 the Florida Legislature recognized the functional differences in these two institutions and established a separate MFP for community colleges.

The cost of the MFP was based upon a formula which was driven by FTE and instructor rank, yielding instructional units. In addition,

instructional salaries, staff and program funds, and other current expenses were treated as variables and calculated in the amount for the state share of MFP.

Prior to 1971 the MFP was a combination of general state revenues and required local effort. The 1972 MFP discontinued the requirement of local effort for the community colleges, but local effort remained an integral part of the elementary, secondary MFP (Exhibit I).

Analysis of MFP and CCPF Formulas

The MFP provided a ready-made framework for financing educational programs to meet educational needs that could not be met in a university program.

A limitation of the MFP was in the determination of FTE's. The FTE's were calculated using Fall enrollments only, with the limitation of non-occupational programs funded at 1.0, and all occupational programs funded at 1.5.

The CCPF has developed in sophistication identifying program costs and attempts to equalize the allocation process of state revenues, recognizing economies of scales and program differentiation.

Under both formulas the recognition of fixed costs, which are a function of past decisions and less responsive to present needs, may impede current efficiency. Revenues will flow first to fixed costs, tenured faculty, student personnel programs, plant operations, and others.

Elementary and Secondary State Financing

Prior to 1973, for 25 years state aid to counties for public school education in Florida was accomplished under the Minimum Foundation Program. The 1973 Florida Legislature established a new finance system to distribute state tax revenue entitled the Florida Education Finance Act (FEFA).

Basically, the FEFA provided that a statewide public school education fund would be established, and that will consist of: state tax revenue

Exhibit I

Required Local Effort
For K-12 and Community Colleges
Under the Minimum Foundation Program

	K-12		Community Colleges	
	Required Local Effort	Total MFP	Required Local Effort	Total MFP
1965-66	$62,465,437	$256,987,557	$3,232,244	$20,186,344
1966-67	64,649,691	267,228,472	4,713,334	26,567,210
1967-68	67,006,103	300,579,554	6,168,746	38,147,079
1968-69	82,115,301	402,369,515	7,988,565	62,996,817
1969-70	88,598,966	593,819,687	8,456,204	71,457,549
1970-71	125,905,521	683,610,926	9,001,435	80,586,442
1971-72	159,210,030	747,008,731	101,837	90,617,941
1972-73	227,896,418	(268%) 946,620,279	*-0-	(436%) 108,391,245

*First year of CCPF

Source: Biennial Report Superintendent of Public Instruction Report for Public Community Colleges

from sales tax and from the sale of auto tags, plus required county effort (established at X mils per $1,000 property valuation). Funds are distributed to the school districts (counties) by using an FTE driven formula which incorporates program cost factors:

1973

Program	Cost Factors
K-3	1.20
4-10	1.00
11 & 12	1.10
E.M.R.	2.30
Voc. Ed. I	4.26
Visually Handicapped	10.00

Additional factors that figure into the district allocation include:

District Cost Differential--A basic cost of living factor (Dade Co. 1.044) is multiplied times the dollar per FTE for each district.

Transportation--Costs are partially met by special allocations to each county.

Categorical Programs--Those program funds specifically authorized which assist in the development and maintenance of programs giving indirect support to programs previously funded.

Analysis of CCPF and FEFA

Both the CCPF and the FEFA represent a concerted effort to determine funding needs in accordance with a stated philosophy for each sector while simultaneously assuring an equitable distribution of available funds. To the end that has been accomplished the following analysis reviews the relative positions of each sector comparing the current funding formulas with the MFP. For purposes of this comparison the data are presented in Exhibits II and III.

Exhibit II

Operating Fund Revenues
By Source

1965-66

	State	Local	Federal	Total
Community Colleges	(62%) $22,795,504	*(34%) $ 12,330,984	(4%) $ 906,404	$ 36,252,321
M.D.C.C.	(56%) 5,077,917	(41%) 3,729,573	(3%) 254,993	9,062,456
K-12	(50%) 320,125,099	(44%) 278,571,103	(6%) 36,795,285	635,492,487
Dade Co.	(37%) 45,199,097	(54%) 65,461,963	(9%) 11,160,798	121,821,858

1972-73

	State	Local	Federal	Total
Community Colleges	(70%) $108,714,613	(23%) $ 36,245,490	(7%) $ 9,333,271	$154,293,392
M.D.C.C.	(65%) 24,047,010	(28%) 10,244,548	(7%) 2,635,922	36,927,480
K-12	(62%) 779,297,889	(36%) 450,406,658	(2%) 28,516,606	1,258,221,155
Dade Co.	(48%) 109,696,372	(46%) 105,757,919	(6%) 15,037,389	230,491,681

1978-79

	State	Local	Federal	Total
Community Colleges	(72%) $195,595,035	(27%) $ 74,457,487	(1%) $ 926,230	$270,978,752
M.D.C.C.	(68%) 37,267,377	(31%) 17,486,791	(1%) 232,957	54,987,125
K-12	(51%) 1,305,259,643	(36%) 949,361,936	(13%) 324,217,632	2,578,839,211
Dade Co.	(48%) 214,874,548	(39%) 173,883,995	(13%) 55,524,583	444,282,126

*Local consisted of 22% student fees 12% Required Local and Other
Note: Since 1972 Local sources for community colleges has consisted mainly of student fees 90%.

Exhibit III

Actual Program Dollars
Per Unweighted FTE

	K-12			Community Colleges		
	Program Dollars	FTE's	Actual Program Dollars Per FTE	Program Dollars	FTE's	Actual Program Dollars Per FTE
1965-66	$256,987,557	1,236,350	$ 207.86	$ 20,186,344	55,200	$ 365.69
1970-71	683,610,926	1,433,778	476.79	80,586,442	107,634	748.71
1975-76	1,496,534,937	1,624,827	921.04	149,776,969	162,739	920.35
		(32%)	(566%)		(224%)	(265%)
1980-81	2,265,182,427	*1,637,966	1,382.92	239,043,210	179,301	1,333.19

*Projected FTE's.

Note: Program Dollars Per FTE are not the same as the Base Student Allocation for K-12.

The 1965-66 allocation to community colleges through the MFP amounted to $20,186,344 and represented $365.69 per FTE. 1970-71 allocation (last year of required local effort) $80,586,442 represented $748.71 per FTE. The growth in Foundation dollars per FTE was 104%.

The 1965-66 allocation to elementary and secondary schools (K-12) through the MFP amounted to $256,987,557 which represented $207.86 per FTE. The 1970-71 allocation of $683,610,926 represented $476.79 per FTE. The growth in Foundation dollars per FTE was 130%.

The 1973-74 allocation to community colleges through the CCPF amounted to $121,229,334 which represents $902.04 per FTE. The 1978-79 allocation of $191,503,841 represents $1,086.94 per FTE. The growth in program dollars per FTE was 20%.

The 1973-74 allocation to elementary and secondary schools through the FEFA amounted to $1,078,030,229 which represented $690.33 per FTE. The 1978-79 allocation of $1,881,766,824 represented $1,169.87 per FTE.

In 1965-66 state and local dollars represented 75% of all operating fund revenues for the community colleges, while tuition and federal dollars represented 22% and 4% respectively.

In 1965-66 state and local dollars represented 94% of all operating fund revenues for the elementary and secondary schools. Federal sources accounted for 6% of the operating revenues.

In 1978-79 state dollars in the CCPF accounted for 72% of the total dollars. Tuition and federal sources accounted for 27% and 1% respectively.

In 1978-79 state and local dollars in the FEFA accounted for 87%. Federal dollars accounted for 13%.

Findings

The following findings represent an analysis of state and local revenue funds allocated to the public community college system and the public elementary and secondary system utilizing a state program formula.

The community college system has not increased its actual program dollars per FTE under the CCPF 1972-73/1978-79 at a level commensurate with the rate of growth under the MFP 1965-66. This appears to be a direct result of the decision to discontinue required local effort.

The elementary and secondary system has improved its actual program dollars per FTE under the FEFA during the comparable period 1972-73/1978-79 when compared to community colleges.

The allocation of all state revenues to community colleges increased 758% during the period 1965-66/1978-79. State revenues allocated to elementary and secondary programs increased 479% during the same period.

Federal support of elementary and secondary operating funds has increased as a percentage of the total fund budget from 6% in 1965-66 to 13% in 1978-79. (See Appendix B).

Student tuition at the community colleges has increased as a percentage of the operating fund budget from 22% in 1965-66 to 28% in 1978-79.

Total appropriations to community colleges increased 1053% between 1965-66 and 1980-81. During the same period appropriations increased 685% for elementary and secondary education.

Conclusions and Recommendations

To realize the philosophy of comprehensiveness and achieve the major functions as charged by the Florida Legislature:

Freshman and sophomore level education parallel to that commonly offered in the state universities;

Occupational education programs;

Courses and programs of adult continuing education.

Community colleges must have the resources to meet the demands of fixed costs, as well as sufficient resources to maintain flexibility in program development and delivery. One observation has been made that with declining enrollments and declining revenues the education enterprise may become so encumbered in fixed costs that it is unable to improve quality or to respond to new needs and opportunities.*

Inflation and increased prices continue to erode the purchasing power of community college dollars. This coupled with the rising proportion of

*Academy for Educational Development, Washington, D.C.
1979 Report to Florida Postsecondary Education Commission

fixed costs as a percentage of total cost requires careful consideration and planning at both the local and state levels.

The student faculty ratios which drive the appropriations process must be reviewed annually to determine their productivity in the formula.

Special or categorical appropriations (e.g., Miami-Dade Scholars) must be recognized as a viable source of needed revenues in the community college program. Appropriations of this type can absorb some of the fixed costs or provide incentive dollars to improve the quality of education within the system.

The marginal propensity of students to allocate an increasing amount of their net dollars to purchase educational services must be closely monitored. As enrollment figures fluctuate with birth rate and migration population, the education dollars may become a relevant multiplier. The 1977-78 student fees, 24%, as a percentage of total revenues for the operating budgets was above the national average and has continued to climb. What this suggests is an increasing dependence of community colleges on student dollars.

Regulations and budget modifications that encourage the solicitation of federal dollars must be developed within a framework of systemwide participation. Colleges which have historically failed to attract student aid dollars, Title I grants, and other federal grants because they lacked the resources should be encouraged and funded accordingly.

APPENDICES

Observations on the Appendices

Appendix A--Due to changes in accounting procedures, which over the period 1965-1979 consolidated some objects while other objects were deleted, the transition during this period required some major assumptions to hold continuity. The expenses reported for each of the institutions are generally the same objects (expense category) for the periods reported. During the reported period (1965-1978) elementary and secondary expenditures per FTE (General fund) increased 247%, while the same types of expenditures increased 160% in the community college system. A similar comparison of expenses indicates that M.D.C.C. and Dade County elementary and secondary system increased at a mere dollar-for-dollar rate.

Appendix B--To show the impact of inflation on current revenues the consumer price index was calculated to convert current dollars into 1965 dollars. The rate of growth of state appropriations to community colleges during the period 1965-1980 using current dollars was 1053%, in 1965 dollars 275%. The rate of growth of state appropriations to elementary and secondary schools during the period 1965-1980 using current dollars 681%; in 1965 dollars the growth was 202%.

Appendix C--Lacking sufficient information regarding local programs one might conclude the F.I.U.'s projected FTE's are an anomaly when compared to the other institutions. The most that can be reported seems to be that constraints at work in the projection model are weighted to their particular program and location, or they have an overworked admissions staff. Both USF and FAU appear to be following national predictions of declining or stabilizing enrollments. However, in both cases

the state allocation appears to be increasing. The state's new "corridor" concept of 5% on either side of the projected FTE figure should act as a buffer for these institutions.

Appendix D & E--Several observations are readily apparent when comparing program dollars (FEFA, CCPF, MFP) between M.D.C.C. and Dade County. First, given that Dade County enrollments decreased appreciably in the late 1970's, their program dollars actually increased (rate of growth decreased). Secondly, community colleges with an appreciable gain in FTE's did not attract comparable dollars. While the concept of equalization is practiced in the K-12 funding program, equalizing the burden over the masses with ever increasing property values, the equalization concept in community colleges was felt as a "user tax" as tuition and fees continued to become a larger part of total revenue sources.

Appendix A

Expense Per FTE - General Fund*

	1965-66	1978-79	Percent Change
Community Colleges	$577.13	$1,499.56	160%
M.D.C.C.	528.05	1,610.98	204
K-12	384.37	1,331.00	247
Dade County	474.96	1,484.12	212

Source: Biennial Report Superintendent of Public Instruction
Profile of Florida School Districts, Vol. IX
Report for Florida Community Colleges 1978-79

*Excludes Capital Outlay and Debt Service, Transportation, Transfers and Balances.

Research Note: 1965-66 FTE's were calculated using ADA figures divided by a factor of .93.

Appendix B

*State Appropriations
To K-12 and Community College
Program Funds

		1965-66	1970-71	1975-76	1980-81	Percent Increase From 1965-80
K-12	Current $'s	$200,811,647	$575,596,786	$963,918,839	$1,568,340,608	681%
	1965 $'s		467,384,590	564,856,439	606,947,815	202
Community College	Current $'s	20,722,523	76,240,480	152,833,681	239,043,210	1053
	1965 $'s		61,907,269	89,560,537	77,714,107	275

*Includes Federal Revenue Sharing Funds and State School Trust Funds for K-12

Source: Laws of Florida

Appendix C

FTE's and State Allocations
For Selected State Universities

	1972-73		1980-81	
	*FTE's	State Allocation	Projected FTE's	State Allocation
SUS	67,923	$194,108,956	(15%) 78,009	(94%) $376,302,940
USF	14,022	37,286,169	(-2%) 13,733	(64%) 61,319,860
FAU	** 4,535	14,416,063	(-5%) 4,296	(57%) 22,691,747
FIU	** 3,177	9,775,381	(114%) 6,812	(244%) 33,586,818

*FTE's are Upper and Lower Division E&G Totals.

**Upper Division FTE's.

Source: SUS Fact Book
B.O.R. by Ron Stubb

Appendix D

Selected Revenue Allocations
For Dade County

	State and County Program Dollars	Required Local Effort	FTE's	Actual Program Dollars Per FTE	Total State Revenues
1965-66	$ 41,343,089	$ 12,650,592	204,104	$202.59	$ 35,665,075
1970-71	113,382,703	26,496,477	238,416	475.57	98.693,917
1975-76	269,401,173	109,235,773	274,319	982.07	185,452,952
1978-79	327,504,548	129,057,442	261,999	1,250.02	245,281,744
% Increase Since 1965	(692%)	(920%)	(28%)	(519%)	(587%)

Source: Commissioner's Annual Report

Appendix E

Selected Revenue Allocations
For Miami-Dade Community College

	State and County Program Dollars	Required Local Effort	Fees & Tuition	FTE's	Actual Program Dollars Per FTE	Total State Revenues
1965-66	$ 4,618,092	$ 965,972	$ 2,655,309	14,401	$ 320.67	$ 5,077,917
1970-71	19,172,847	2,029,300	8,188,489	26,300	729.01	18,473,232
1975-76	31,218,838	-0-	13,475,337	33,637	928.11	
1978-79	36,748,930	-0-	16,501,560	34,633	1,061.10	37,267,377
% Increase Since 1965	(695%)		(521%)	(140%)	(232%)	(634%)

Source: Community College Report

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